ACPA 7005
Introduction to Innovation Management
Assignment A
Review Innovation History

Team Tudor

Darren Bright
Stuart Cheetham
Iwan Mason
Lindsey Williams

ASSIGNMENT BRIEF

- REVIEW THE RECENT INNOVATION HISTORY (SAY, OVER THE PAST FIVE OR TEN YEARS) OF A COMPANY OF YOUR CHOICE THAT IS INVOLVED IN MANUFACTURING, PRODUCT DEVELOPMENT OR SERVICE PROVISION, ANYWHERE IN THE WORLD.
- CATEGORISE THE INNOVATION DEVELOPMENTS WHICH HAVE TAKEN PLACE IN TERMS OF SATELL'S TYPOLOGY AND ANALYSE THEM IN RELATION TO:
  1. THE EXTENT TO WHICH THEY HAVE SHIFTED THE COMPANY'S MARKET POSITION;
  2. THE EXTENT TO WHICH THEY HAVE INFLUENCED THE COMPANY'S INTERNAL STRUCTURES AND MANAGEMENT PROCESSES;
  3. THE EXTENT TO WHICH THEY HAVE BEEN TECHNOLOGY DEPENDENT (AND WHICH TECHNOLOGIES);
  4. THE EXTENT OF THEIR SUCCESS,

COMPANY FORMATION

- IN 1837 CINCINNATI BRITISH CANDLE MAKER, WILLIAM PROCTER, JOINED FORCES WITH AN IRISH SOAP MAKER NAMED JAMES GAMBLE.
- PROCTER & GAMBLE WAS FORMED AND THEY BEGAN BY MARKETING A NEW PRODUCT CALLED 'IVORY' SOAP. THEY HAVE SINCE GROWN AND EVOLVED IN BOTH MANUFACTURING AND SALES IN MANY COUNTRIES TO BECOME A $340.1 BILLION DOLLAR COMPANY.
- THEY NOW OWN NUMEROUS HOUSEHOLD BRANDS IN AREAS SUCH AS HEALTH CARE, CLEANING PRODUCTS AND BEAUTY GOODS

COMMITMENT TO INNOVATION

- INNOVATION IS AT THE VERY CORE OF PROCTER & GAMBLE.
- "WE KNOW FROM OUR HISTORY THAT WHILE PROMOTIONS MAY WIN QUARTERS, INNOVATION WINS DECADES." EX-CHAIRMAN, PRESIDENT & CEO BOB MCDONALD.
- APPROXIMATELY $2 BILLION IS SPENT ON RESEARCH AND DEVELOPMENT EACH YEAR. TO PUT THIS INTO PERSPECTIVE IT IS AROUND 50% MORE THAN ITS NEAREST COMPETITOR. A FURTHER $400 MILLION IS INVESTED IN CONSUMER RESEARCH AS A MEANS TO IDENTIFYING INNOVATION OPPORTUNITIES.
- 20,000 STUDIES INVOLVE OVER 5 MILLION CONSUMERS IN NEARLY 100 COUNTRIES.
- HOW P&G TRIPLED ITS INNOVATION SUCCESS RATE (HBR.ORG)

Q1. THE EXTENT TO WHICH INNOVATION SHIFTED P&GS MARKET POSITION

- INNOVATION IS A THEME ACROSS THE COMPANY'S HUGE PORTFOLIO THEREFORE **FEMININE HYGIENE** HAS BEEN SELECTED AS THE FOCUS OF THIS QUESTION.
- THE ALWAYS MAXI PAD WAS PRODUCED IN 1983 IN RESPONSE TO ***RESEARCH*** THAT FOUND THE PRODUCTS AVAILABLE ON THE MARKET AT THAT TIME HAD MASSIVE WEAKNESSES IN THAT THEY WERE BULKY AND A TOP LAYER THAT WAS WET. P&G "**START WITH BASIC RESEARCH, DRIVEN BY SCIENTIFIC INTEREST TO FURTHER OUR INTERNAL KNOWLEDGE IN OUR 11 CORE COMPETENCIES**" (GREG SATELL, 2016)
- THE INNOVATION LAY IN THE DESIGN OF THE PADS WHICH WERE EXCEPTIONALLY THIN COMPARED TO ANYTHING ELSE ON THE MARKET AT THE TIME. THE PATENTED TOP SHEET ALLOWED LIQUID THROUGH IT AND REMAIN CONTAINED WITHIN IT. THIS ACTED TO STIMULATE COMPETITORS IN THE MARKET.

THE INNOVATION WAS NOT LIMITED TO THE TECHNOLOGY EITHER, THEIR MARKETING HAD BECOME TRANSFORMED. TRADITIONALLY ALWAYS HAD FOCUSED ON BLUE LIQUID DEMONSTRATIONS OF THEIR PRODUCTS WHICH OVER TIME BECAME CONSIDERED OUTDATED.

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

THERE WAS A CHANGE IN 2000 WITH THE APPOINTMENT OF CEO ALAN GEORGE LAFLEY

- "THE CORPORATION GAINED A REPUTATION FOR BEING CONSUMER DRIVEN AND EXTERNALLY FOCUSED, WITH AN INCREASED INTEREST IN INNOVATION AND RISK-TAKING, INCLUDING FUNNELLING MORE FUNDING INTO ADVERTISING FOR ITS ALWAYS PRODUCTS…
- IT WAS A TIME OF EXCITEMENT AND POTENTIAL WHEN ADVERTISERS BEGAN TO RESHAPE THE BOUNDARIES AND NORMS OF MENSTRUAL PRODUCT MARKETING YET AGAIN".

LIKE A GIRL CAMPAIGN

- P&G'S 'LIKE A GIRL' CAMPAIGN FOR ALWAYS PADS WAS THE FIRST ADVERTISEMENT FOR A MENSTRUAL PRODUCT TO WIN AN EMMY! IT WAS HOWEVER NOTABLE THAT THE AD DID NOT ACTUALLY MENTION MENSTRUATION OR THE PRODUCT ITSELF- SURPRISING GIVEN ALWAYS' HISTORY OF TECHNOLOGICAL INNOVATION AND REFERENCE TO IT. THE IMPACT THAT THE AD HAD ON THE MEDIA ENCOURAGED COMPANIES TO MOVE AWAY FROM THE TRADITIONAL ADVERTISING AND MOVE TOWARDS A MORE 'ACTIVIST RHETORIC' (ROSTVIC 2022)

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

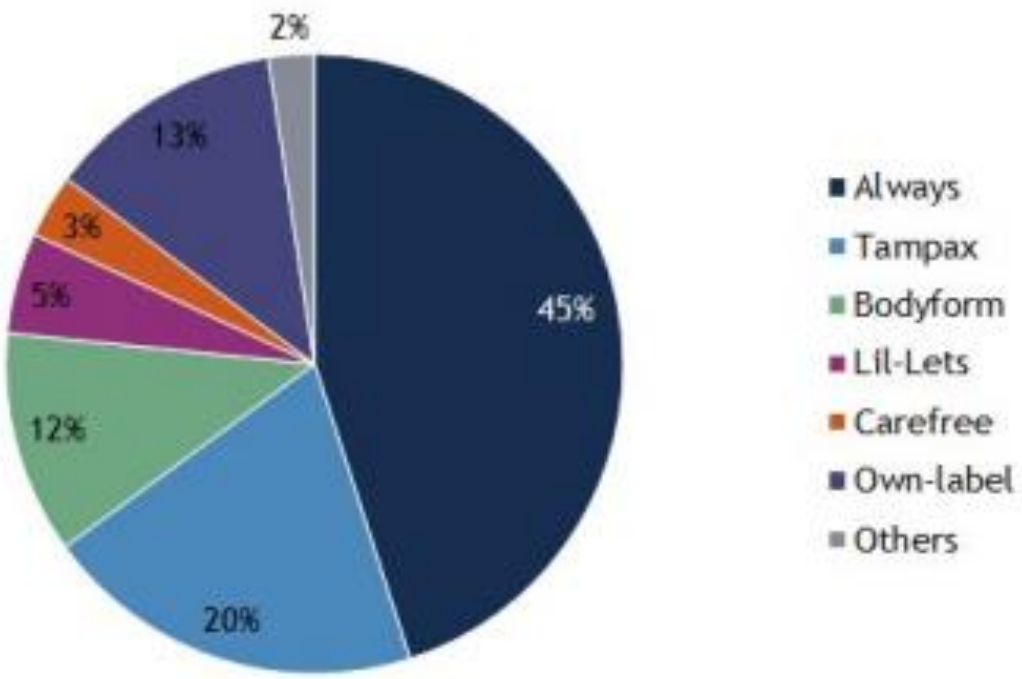
MARKET POSITION

- BASIC RESEARCH WAS AT THE HEART OF THE DEVELOPMENT OF THE AD. A PAPER PRODUCED BY BEHAVIOURAL PSYCHOLOGISTS CALLED 'GLOBAL SELF ESTEEM ACROSS THE LIFE SPAN' INFORMED HOW THE ADVERT WAS TARGETED TO CUSTOMERS. IT APPEARED THAT THIS APPROACH PAID OFF.
- PRIOR TO THE LIKE A GIRL AD, ALWAYS WAS BEHIND ITS COMPETITORS KOTEX AND TAMPAX IN TERMS OF BRAND AWARENESS. HOWEVER, FOLLOWING ON FROM THE AD'S SUCCESS (85 MILLION GLOBAL VIEWS ON YOUTUBE! SMARTINSIGHTS.COM) P&G GAINED MORE ATTENTION IN THE MARKET.
- P&GS FEMININE CARE SALES ARE UP AS INCONTINENCE AND MENSTRUAL PRODUCTS GET SUPERIORITY ATTENTION (PHARMAINTELLIGENCE.INFORMA.COM)

MARKET SHARE

- THE INNOVATION IN PRODUCT DESIGN AND MARKETING HAS CONTRIBUTED TO P&G BECOMING MARKET LEADERS IN SALES OF SANITARY PROTECTION IN THE UK

FIGURE 3: UK RETAIL VALUE SALES OF SANITARY PROTECTION PRODUCTS, BY BRAND, 2021



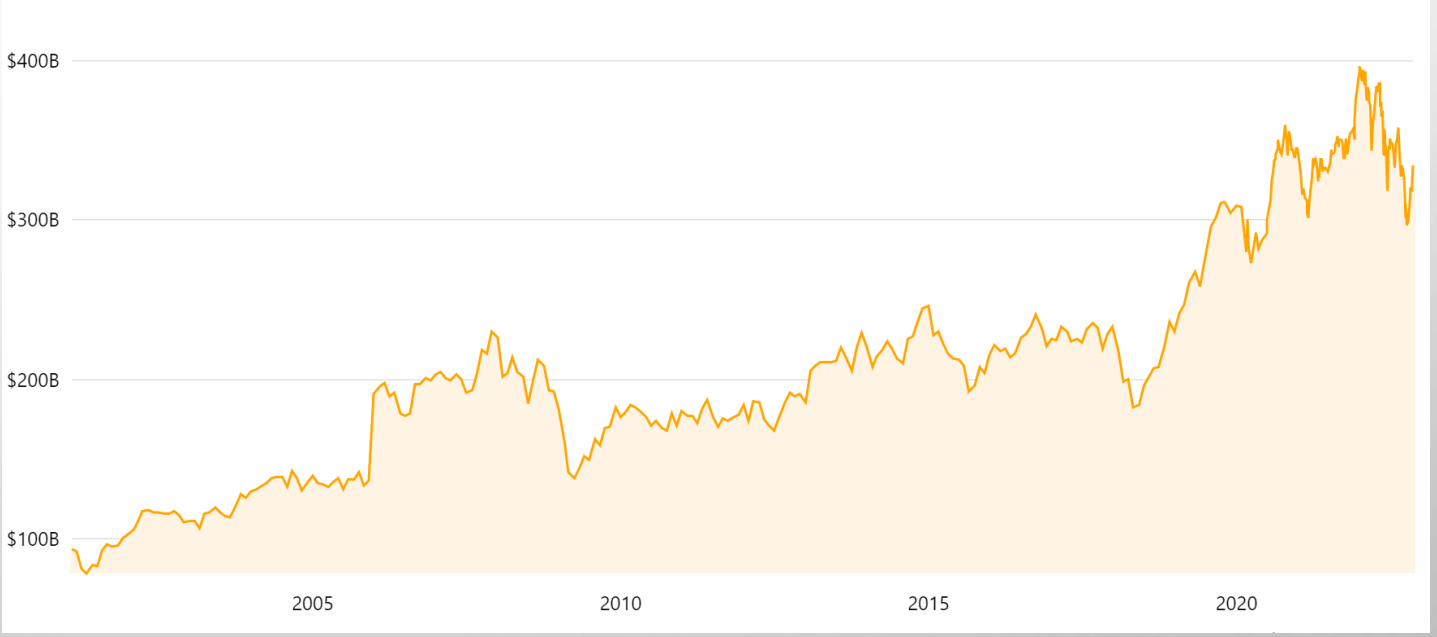
Source: based on IRI/Mintel, year ending November 2021

MARKET CAPITALISATION

Market cap history of Procter & Gamble from 2001 to 2022

- AS OF NOVEMBER 2022 PROCTER & GAMBLE HAS A MARKET CAP OF **$334.05 BILLION** MAKING PROCTER & GAMBLE THE WORLD'S **19TH** MOST VALUABLE COMPANY BY MARKET CAP.

- COMPANIESMARKETCAP.COM



- THE INNOVATION MATRIX IS DESIGNED TO BE FORWARD LOOKING AND THAT IS CERTAINLY TRUE OF P&G.
- **SUSTAINING INNOVATION**. P&G FITS INTO THE TYPOLOGY OF THIS AREA OF THE MATRIX IN THAT CONTINUOUSLY CREATE BETTER-PERFORMING PRODUCTS TO SELL FOR HIGHER PROFITS TO ITS BEST CUSTOMERS.
- PERIOD PANTS ARE AN EXAMPLE OF SUCH INNOVATION.

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Q2. THE EXTENT TO WHICH THEY HAVE INFLUENCED P&G'S INTERNAL STRUCTURES AND MANAGEMENT PROCESSES

INTERNAL STRUCTURE

- 5 SBU'S (SECTOR BUSINESS UNITS)
  - BABY, FEMININE AND FAMILY CARE
  - BEAUTY
  - HEALTH CARE
  - GROOMING
  - FABRIC AND HOME CARE

- FOCUS MARKETS VS ENTERPRISE MARKETS
  - FOCUS MARKETS – EXISTING PRESENCE – SUSTAINING INNOVATION
  - ENTERPRISE MARKETS – HIGH GROWTH POTENTIAL NEW MARKETS

CONNECT AND DEVELOP – P&G'S MODEL FOR INNOVATION

- LESS RELIANCE ON GREATER INVESTMENT ON R&D WITH SMALLER PAY-OFF
- IDENTIFY OPPORTUNITIES FOR IMPROVEMENT AND COLLABORATE WITH 3RD PARTIES TO INCREASE PRODUCTIVITY AND INCREASE SPEED OF LAUNCH.
- NOT ABOUT OUTSOURCING DEVELOPMENT BUT BRINGING IN NEW IDEAS FROM THE MARKET TO INTERNALLY DEVELOP.
- ENABLES P&G TO CONSISTENTLY SUSTAIN INNOVATION

P&G VENTURES – DISRUPTIVE INNOVATION

- ENCOURAGES ENTREPRENEURS TO SHARE THEIR IDEAS FOR INNOVATION WITH P&G AND OFFERS SUPPORT TO START-UP.
- PROVIDES SUPPORT TO DEVELOP THE INNOVATION FROM SPARK THROUGH TO END PRODUCT.
- BRINGS THE INNOVATION INTO THE P&G PORTFOLIO OF PRODUCTS.
- EMPHASIS ON “NEW-TO-WORLD” INNOVATIONS – DISRUPTIVE INNOVATION

Q3. THE EXTENT TO WHICH P AND G HAVE BEEN TECHNOLOGY DEPENDENT (AND WHICH TECHNOLOGIES)

- TO REVIEW THE RECENT HISTORY OF INNOVATION WITHIN P AND G, I STARTED OFF BY ASKING COMMERCIAL LEADS WITH IN MY BUSINESS ON THEIR REAL LIFE EXPERIENCES WITH P AND G. WE ARE LUCKY ENOUGH AS A BUSINESS THAT P AND G IS ONE OF OUR BIGGEST ACCOUNTS THAT WE SUPPLY RAW MATERIAL INTO.
- THE MARKETS SECTORS WE SUPPLY INTO ARE BABY CARE AND FEMININE CARE THAT P AND G CONVERT INTO DIAPERS AND SANITARY TOWELS. BOTH PRODUCTS CAN BE SEEN IN ONE OF P AND G'S MARKETING ADVERTISEMENT'S BELOW.

- THE RELATIONSHIP WITH MY COMPANY AND P AND G WAS WELL ESTABLISHED WHEN I JOINED THE COMPANY AND GOES BACK TO A TIME WHERE P AND G'S INNOVATION HAD LOST ITS WAY.
- PRIOR TO 2000 P AND G'S R&D EXPENDITURE AS A PROPORTION OF SALES HAD INCREASED FROM AROUND 4% TO NEARLY 7%, NEW PRODUCT SUCCESS RATES WERE STUCK AT 35%, P&G HAD DEVELOPED A HUGE COLLECTION OF PATENTS, BUT FEWER THAN 10% OF THEM WERE BEING USED IN ACTUAL PRODUCTS. THE OUTCOME OF THIS WAS A DROP IN THE P&G STOCK PRICE FROM $118 PER SHARE TO $52.

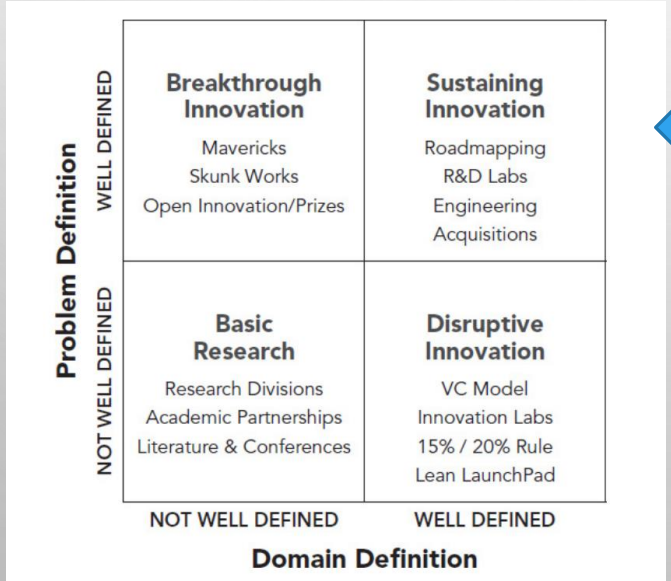
(HTTPS://TIMKASTELLE.ORG/BLOG/2012/05/PROCTER-GAMBLE-USING-OPEN-INNOVATION-TO-BECOME-A-WORLD-CLASS-INNOVATOR)

- P AND G HIGHLIGHTED THAT SUCCESSFUL INNOVATION REQUIRES EXPERTISE FROM OUTSIDE OF THEIR ORGANISATION AND THAT THEY MAY NOT HAVE ALL THE ANSWERS.

- USING WEB BASED TECHNOLOGY P AND G INTRODUCED THE CONNECT AND DEVELOP PROGRAMME AS A PLATFORM TO GAIN PERSPECTIVES FROM PEOPLE OUTSIDE OF THE BUSINESS.

At P&G's "disruptive innovation college," people working on new-growth projects can choose from more than a dozen courses.

- CONNECT AND DEVELOP WAS NOT JUST AN INCREASE IN INNOVATION COMMITMENT BUT ACTUALLY DECREASED THEIR INNOVATION INFRASTRUCTURE, DECREASED ACTIVATES AND ALSO R AND D SPEND.
- GETTING IDEAS TO THE OUTSIDE WORLD REQUIRED OPEN INNOVATION WHICH IS SOMETHING P AND G HAD BEEN BAD AT. CONNECT AND DEVELOP WOULD BREAK THIS BAD HABIT BUT FIRST P AND G HAD TO LEARN HOW TO USE THEIR RESOURCES IF THEY WERE TO BECOME AN OPEN INNOVATOR.
- THE OPEN SOURCE SOFTWARE OF CONNECT AND DEVELOP ALLOWS PEOPLE FROM ALL OVER THE WORLD TO SOLVE PROBLEMS P AND G CANT, SUSTAINING INNOVATION .



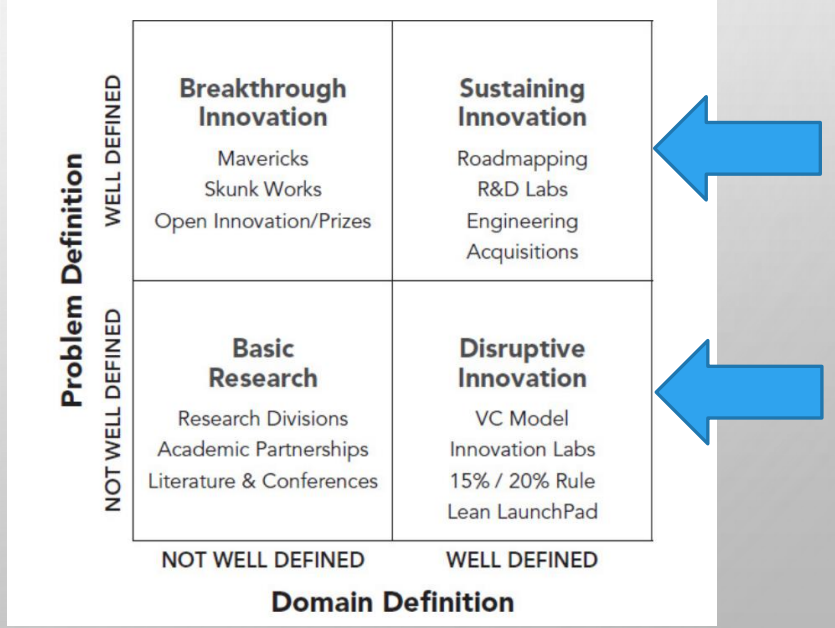
The innovation Matrix, Gregg Satell, Mapping innovation , P70

- SUSTAINING INNOVATION IS WHERE MY COMPANY SUPPORTS P AND G THROUGH THE CONNECT AND DEVELOP PLATFORM. ONE OF P AND G'S MANTRAS FOR SUSTAINING INNOVATION WAS TO BE THAT LITTLE BIT BETTER THAN THE COMPETITION.

- FOR EXAMPLE A TOOTHPASTE THAT HAD A BETTER FLAVOUR, A LITTLER MORE CLEANING POWER TO A LAUNDRY DETERGENT OR IN OUR CASE A BIT MORE ABSORPTION IN A DIAPER.

- ALL THE ABOVE SOUNDS VERY SIMPLE BUT WITHOUT OUTSIDE INFLUENCE SUPPORTING THROUGH CONNECT AND DEVELOP P AND G MAY HAVE STRUGGLED WITH CRATING A CRESTS TOOTHPASTE WITH 3D WHITENING, A GILLETTE RAZOR GUARD INTO INDIA OR A PAMPERS DIAPER INTO EMERGING MARKETS.

- OPEN INNOVATION HAS GREATLY ENHANCED P AND G'S ABILITY TO COMPETE AND FOLLOWS THE FOUR QUADRANTS OF THE INNOVATION MATRIX.



- PROCTER & GAMBLE HAS A WELL-ESTABLISHED STRATEGIC ROAD MAPPING PROCESS THAT CALLS FOR CONTINUOUS IMPROVEMENT, AND THE COMPANY HAS A LONG HISTORY OF DEVELOPING PRODUCTS THAT ARE “NEW AND IMPROVED” PRODUCTS.

- P AND G WORKS CLOSELY WITH MY BUSINESS TO ENSURE WE ARE ON TOP OF OUR CONTINUOUS IMPROVEMENT AND CAN CONTINUALLY OFFER THE NEXT BEST NON WOVEN FILTER NEEDED FOR THEIR PRODUCTS TO REMAIN MARKET LEADERS.

- AS A COMPANY, PROCTER & GAMBLE HAS A HISTORY OF PURSUING DISRUPTIVE INNOVATION OPPORTUNITIES NOW ROOTED IN CONNECT AND DEVELOP

- PROCTER & GAMBLE ARE ABLE TO EFFECTIVELY PARTNER WITH RESEARCHERS AND ENGINEERS OUTSIDE THEIR ORGANISATIONS TO DEVELOP BILLION-DOLLAR PRODUCTS.

- PROCTER & GAMBLE CAN DRAW ON A GLOBAL NETWORK OF PARTNERS TO HELP IT SOLVE PROBLEMS FOR ITS CUSTOMERS. THAT DRIVES ITS ABILITY TO DEVELOP NEW PRODUCTS AND CREATE NEW BUSINESS MODELS.

- THROUGH THE CONNECT & DEVELOP PROGRAM, THE COMPANY IDENTIFIED AN ECOLOGICALLY SAFE AND MORE EFFECTIVE WATERLESS CLEANING SOLVENT, WHICH OPENED THE DOOR TO NOT ONLY A NEW PRODUCT, BUT AN ENTIRELY NEW BUSINESS MODEL.

- THROUGH CONNECT AND DEVELOP TECHNOLOGY IT HAS ALLOWED MY COMPANY TO INTRODUCE PATENTED TECHNOLOGY INTO P AND G GIVING THEM A COMPETITIVE ADVANTAGE ON THEIR METLBLOWN ABSORPTION PRODUCTS.

- CONNECT AND DEVELOP LED TO THE CREATION OF BREAKTHROUGH NEW PRODUCTS THAT PROCTER & GAMBLE COULD NEVER HAVE COME UP WITH ITSELF
- OPEN INNOVATION HAS GREATLY ENHANCED PROCTER & GAMBLE'S ABILITY TO COMPETE.
- PROCTER & GAMBLE CAN DRAW ON A GLOBAL NETWORK OF PARTNERS TO HELP IT SOLVE PROBLEMS FOR ITS CUSTOMERS
- P&G'S CONNECT AND DEVELOP PROGRAM HAS LED TO UNIVERSITY PARTNERSHIPS THAT HAVE PLAYED AN IMPORTANT ROLE INTO R AND D
- CONNECT AND DEVELOP IS ONE OF THE SUCCESSFUL EXAMPLE OF WEB 2.0 PLATFORM WHICH IS LEADED BY P&G.
- MORE THAN 35 PERCENT OF P&G'S NEW PRODUCTS IN MARKET HAD ELEMENTS THAT ORIGINATED FROM OUTSIDE P&G

Sep 27, 2022

Procter & Gamble Stock Has Outperformed The S&P 500 Since 2017 End: Here's Why

Procter & Gamble (NYSE: PG) stock price gained almost 50% from around $92 at 2018 end to $135 currently, primarily due to favorable changes in its revenues and P/S multiple.

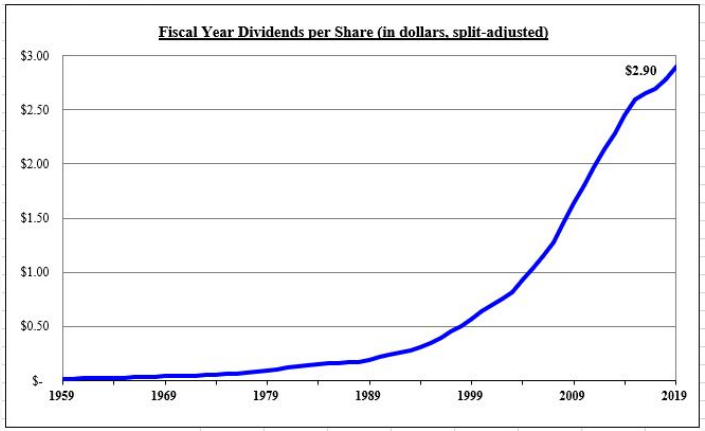
By **Trefis Team** Contributor

Q4. THE EXTENT OF THEIR SUCCESS

FEBREEZE MIST SPRAY

- RELEASED IN 1998.
- THE NEW FEBREEZE PRODUCT HAD INNOVATIONS SUCH AS A FINE MIST SPRAY, AND A REVOLUTIONARY BOTTLE DESIGN.

OUTCOME OF INNOVATION



- WITHIN ONE YEAR OF ITS INITIAL LAUNCH THE PRODUCT REACHED $100M IN SALES!
- THE REVOLUTIONARY PRODUCT FULFILLED AN UNMET CUSTOMER NEED AND WAS A FIRST OF ITS KIND.
- BY 2022 THE BRAND IS ON ITS WAY TO MAKING $800M

GILLETTE DISPOSABLE RAZOR

- KING C. GILLETTE INVENTED THE DISPOSABLE RAZOR IN 1895 AFTER 6 YEARS OF DESIGN.
- THE RAZOR WAS TOO EXPENSIVE FOR THE MASSES – ONLY THE WEALTHY COULD AFFORD IT.
- IN 1921, AN INNOVATION WAS MADE THAT CUT THE PRODUCTS COST TO 1/5TH OF THE ORIGINAL SALES PRICE!
- THIS INNOVATION MADE THE RAZOR CHEAP, WHILE THE DISPOSABLE BLADES WERE NOW TO BE SOLD AT A PREMIUM.... A BUSINESS MODEL USED TO THIS DAY.

OUTCOME OF INNOVATION

- GILLETTE HELD A 70% MARKET SHARE BY THE YEAR 2000
- THEY HAVE GROSSED $57B
- THIS IS THE LARGEST ACQUISITION OF ANY CONSUMER GOODS BRAND TO DATE (2021)

REFERENCES

- NEWS.PG.COM. (N.D.). AFTER TEN YEARS OF PRODUCT INNOVATION, FEBREZE UNVEILS NEW FABRIC REFRESHER LINE. [ONLINE] AVAILABLE AT: HTTPS://NEWS.PG.COM/NEWS-RELEASES/NEWS-DETAILS/2008/AFTER-TEN-YEARS-OF-PRODUCT-INNOVATION-FEBREZE-UNVEILS-NEW-FABRIC-REFRESHER-LINE/DEFAULT.ASPX [ACCESSED 22 NOV. 2022].
- ROY, S. (2021). GILLETTE: MARKETING STRATEGY OF PRODUCT INNOVATION - THE STRATEGY STORY. [ONLINE] THESTRATEGYSTORY. AVAILABLE AT: HTTPS://THESTRATEGYSTORY.COM/2021/08/02/GILLETTE-MARKETING-STRATEGY-INNOVATION/.
- PROCTOR & GAMBLE (2022) P&G VENTURE STUDIOS [ONLINE] AVAILABLE AT: HTTP://PGVENTURESSTUDIO.COM [ACCESSED 20 NOV 2022]
- LARRY HUSTON AND NABIL SAKKAB (2006) CONNECT AND DEVELOP: INSIDE PROCTER & GAMBLE'S NEW MODEL FOR INNOVATION [ONLINE] AVAILABLE AT: HTTPS://HBR.ORG/2006/03/CONNECT-AND-DEVELOP-INSIDE-PROCTER-GAMBLES-NEW-MODEL-FOR-INNOVATION [ACCESSED 20 NOV 2022]
- PROCTOR & GAMBLE (2022) STRUCTURE & GOVERNANCE [ONLINE] AVAILABLE AT: HTTPS://WWW.PG.CO.UK/STRUCTURE-AND-GOVERNANCE/CORPORATE-STRUCTURE/ [ACCESSED ON 20 NOV 2022]
- NESLI NAZIK OZKAN (2015) AN EXAMPLE OF OPEN INNOVATION: P&G [ONLINE] AVAILABLE AT: HTTPS://CORE.AC.UK/DOWNLOAD/PDF/81127476.PDF. [ACCESSED ON 18 NOV 2022]
- MAPPING INNOVATION, GREGG SATELL, MAY 2017
- PROCTOR & GAMBLE (2022) BLOGS [ONLINE] AVAILABLE AT: HTTPS://US.PG.COM/BLOGS/EXECUTIVE-TALKS-INNOVATION-VITTORIO-CRETELLA/ [ACCESSED ON 18 NOV 2022]
- PROCTOR & GAMBLE (2022) INNOVATION [ONLINE] AVAILABLE AT: HTTPS://WWW.PG.CO.UK/INNOVATION/ [ACCESSED ON 18 NOV 2022]
- HOW AND WHY INNOVATION AT PROCTER & GAMBLE, MABEL MILLICENT ALEXANDER, JUNE 22 2017.
- THE ROLE OF TECHNOLOGY IN THE SHIFT TOWARDS OPEN INNOVATION: THE CASE OF PROCTER & GAMBLE, MARK DODGSON, DAVID GANN AND AMMON SALTER, 2006